

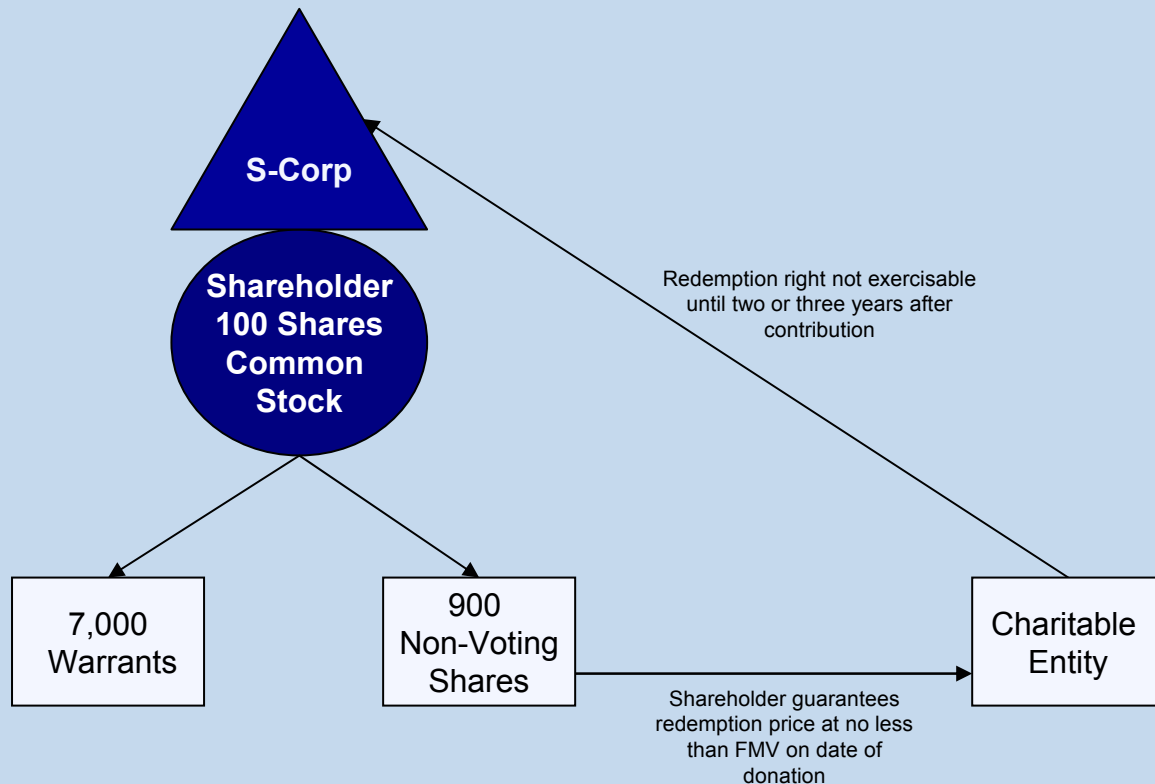
SC²

Prepared by U.S. Senate Permanent
Subcommittee on Investigations,
Subcommittee Staff of Senator Carl Levin,
November 2003

Embargoed
Until Monday, November 17, 2003

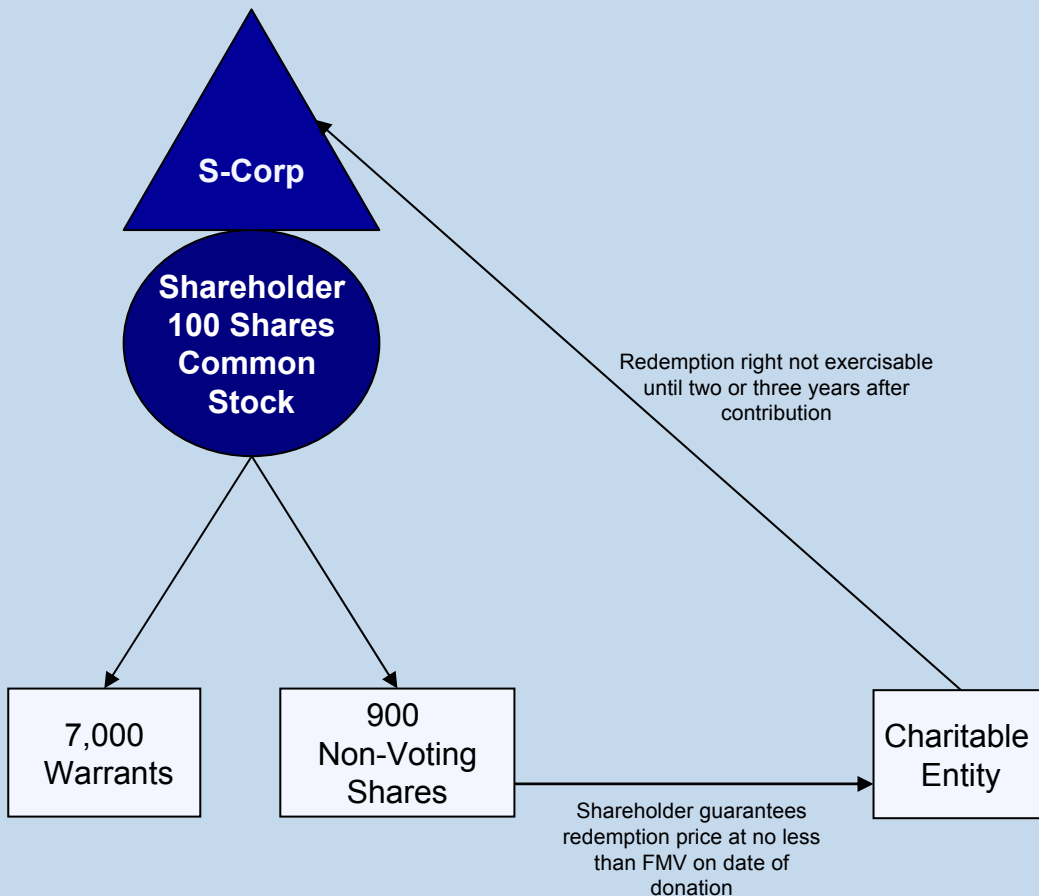
Step 1

S-Corp. Creates and Transfers to the Shareholder an Additional
900 Voting Shares and 7,000 Warrants
Shareholder “Donates” Non-Voting Stock to a Charitable Entity



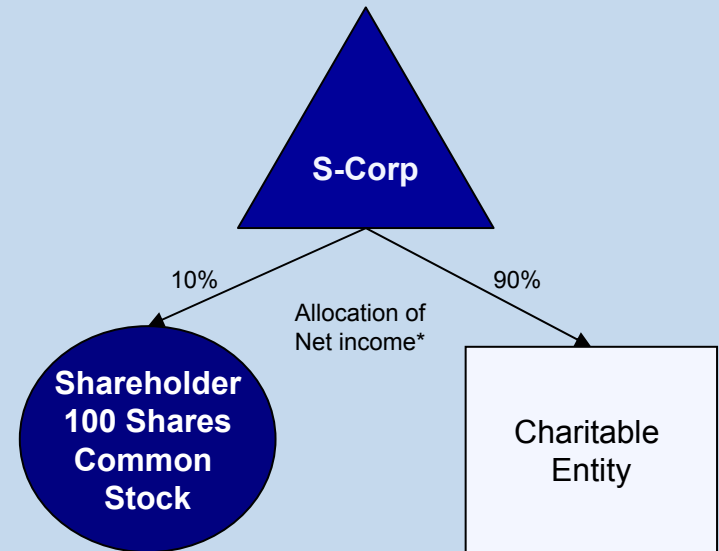
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Step 2

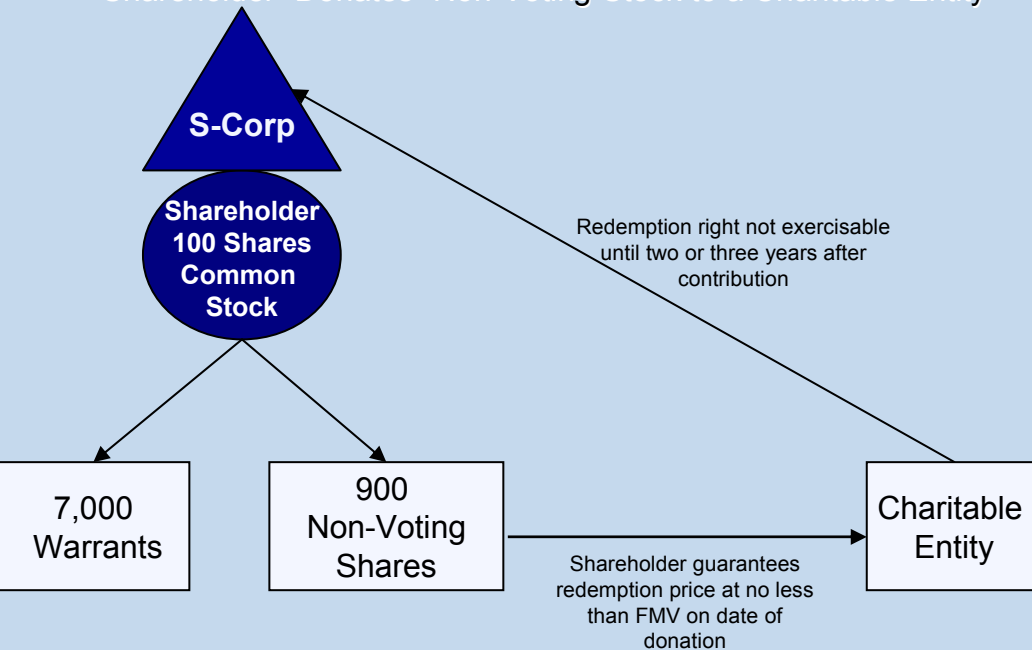
2-3 Year Period When Charity is Shareholder
in S-Corporation



***Net income is allocated on a pro rata basis for tax purposes, but the distribution is suspended or limited as a result of amendments to S-Corp. Articles and By-laws.**

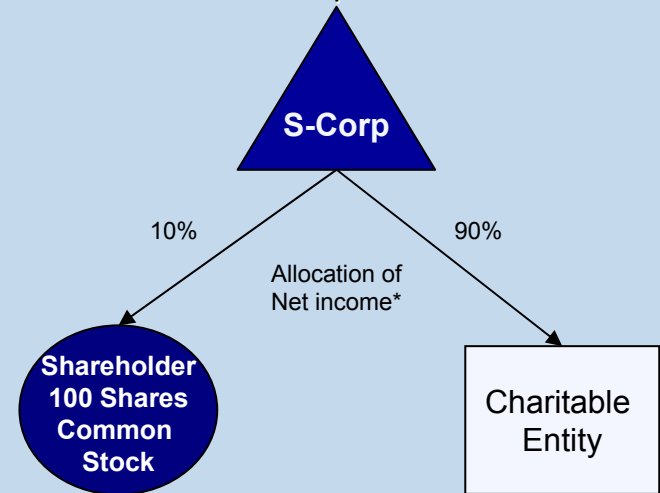
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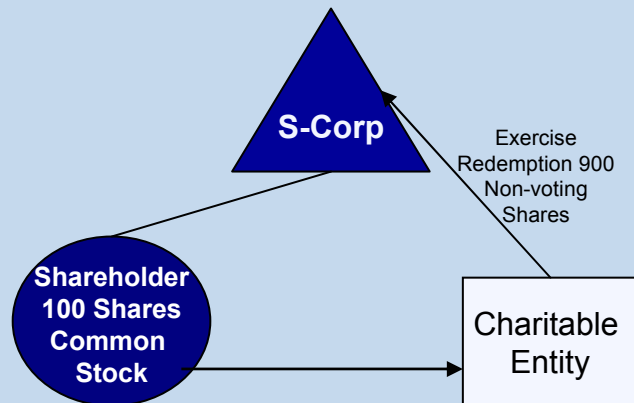
Step 2

2-3 Year Period When Charity is Shareholder in S-Corporation



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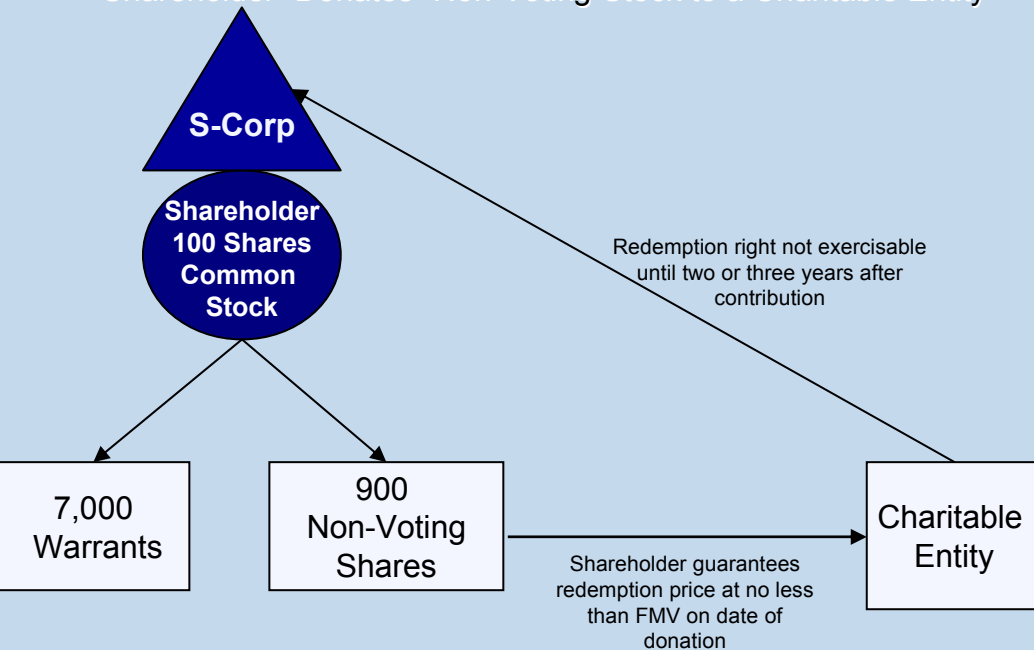
Step 3 Redemption



The Greater of FMV at Contribution or FMV at Redemption

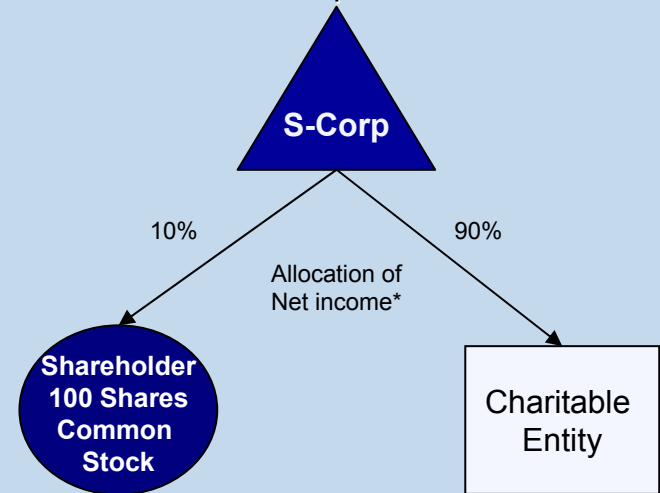
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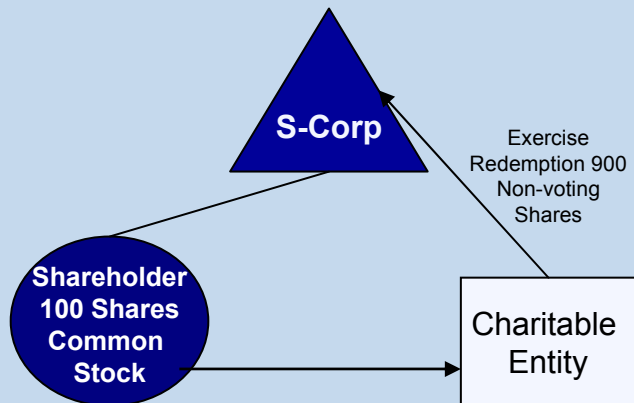
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Step 3

Redemption



The Greater of FMV at Contribution or FMV at Redemption

Step 4

Distributions Reinstated

